

**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**  
**Whatcom County, Washington**  
**January 1, 1993 Through December 31, 1994**

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**Schedule Of Findings**

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1. Control Over Cash Receipts Should Be Improved

Our audit of the council's cash receipting procedures revealed the following internal control weaknesses:

- a. Receipts are not written for all checks received. Although receipts are written for the majority of payments received directly at the council's office, they are rarely written for checks received through the mail.
- b. Mode of payment, i.e., check or cash composition, is not indicated on all receipts written.
- c. Deposits are not always made timely with the county treasurer's office. We noted several instances in which a payment was deposited more than a month after receipt.

Article XI, Section 15 of the Washington State Constitution states:

DEPOSITS OF PUBLIC FUNDS. All moneys, assessments and taxes belonging to or collected for the use of any county, city, town or other public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depositary to the credit of such city, town, or other corporation respectively, for the benefit of the funds to which they belong.

RCW 43.09.240 states in part:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the taxing district once every twenty-four consecutive hours. The treasurer may in his or her discretion grant an exception where such daily transfers would not be administratively practical or feasible.

RCW 43.09.200 states in part:

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . .

The internal control weaknesses over the cash receipting system increase the risk errors or irregularities may occur and not be detected in a timely manner, if at all. In addition, it hinders both management's and the State Auditor's Office's ability to test receipts to ensure all cash and checks received by the council have been receipted and deposited with the County Treasurer.

The specific conditions noted above in the cash receipting system appear to be attributable to oversight and errors. The entity was not aware of the importance of the controls necessary to correct these conditions.

We recommend the council ensure receipts are promptly written for all money received, mode of payment is noted on all receipts, and receipts are promptly deposited with the county treasurer.

2. Control Over Payroll Should Be Improved

Our audit of the council's payroll system revealed the following internal control weaknesses:

- a. Timesheets are not always signed by the employees.
- b. Time sheets are not always signed by the employees' supervisor.
- c. Some time sheets could not be located.
- d. Time sheets are often prepared in pencil.
- e. Time sheets are not always received from employees on a timely basis.
- f. Records for leave balances were found to be in error or incomplete in several instances.

RCW 43.09.200 states in part:

The accounts shall show . . . all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . .

Section 3.4 of the council's Personnel Manual states:

Each employee is responsible for completing his/her time record and submitting it by the last day of the pay period. The Executive Director shall review time records to verify hour, project numbers, work elements, appropriate signatures and thereafter sign approval.

The internal control weaknesses over the payroll system increase the risk errors or irregularities may occur and not be detected in a timely manner, if at all.

The specific conditions noted above in the payroll system appear to be attributable to oversight and errors. The entity was not aware of the importance of the controls necessary to correct these conditions.

We recommend the council ensure that time sheets are properly prepared in a timely and permanent manner, signed, and maintained. We further recommend that leave records be accurately maintained.

3. The Council Should Improve Controls Over Financing Operations

We noted the council has continually had insufficient cash balances on hand to finance operations since mid 1990 and, as a result, has had to rely upon the issuance of registered, interest-bearing warrants to cover expenditures. The following is a summary of the council's balances over the past several years.

| <u>Date</u> | <u>Cash</u> | <u>Investments</u> | <u>Registered Warrants</u> | <u>Net Balance</u> |
|-------------|-------------|--------------------|----------------------------|--------------------|
| 12/31/90    | \$ 10,513   | \$0                | \$ 45,516                  | \$(35,003)         |
| 12/31/91    | 12,056      | 0                  | 69,998                     | (57,942)           |
| 12/31/92    | 22,183      | 0                  | 117,643                    | (95,460)           |
| 12/31/93    | (13,673)    | 0                  | 78,654                     | (92,327)           |
| 12/31/94    | 27,864      | 0                  | 113,208                    | (85,344)           |
| 07/31/95    | 46,303      | 0                  | 140,017                    | (93,715)           |

The continued use of registered warrants in excess of current assets had resulted in the council's funding of operations from debt instruments. Such use also resulted in the council expending \$5,811 in 1993 and \$6,271 in 1994 for interest expense on registered warrants.

One factor in the council's utilization of registered warrants is that the grant funding they receive is on a reimbursement basis, that is, there is a delay between the time the expenditures are made by the council and the time the reimbursement from the grantor is received. However, we noted that the amount of receivables at December 31, 1994, was approximately \$30,000, still an insufficient amount to cover the registered warrants at that point in time.

The council does not feel that the county records of registered warrants is accurate, however, differences have not been routinely identified, substantiated and resolved. Over the past several months the council has been researching this matter and has initiated discussions with county personnel to attempt to resolve this matter.

We recommend the council take immediate action to improve controls over the financing of operations by resolving any suspected discrepancies in financial records with the county. We also recommend council staff reconcile revenue, expenditure, and cash balances with the county records on a monthly basis and follow up and resolve any discrepancies in a timely manner. We further recommend the council implement controls to ensure general operating expenditures remain within the level of available resources.